

**Spokane Employees' Retirement System (SERS)
Board Meeting Minutes
May 29, 2019**

The regular monthly meeting was called to order at 12:06 p.m. in the Council Briefing Center at City Hall.

Present: Mike Coster, Jim Tieken, Mike Cavanaugh, Dean Kiefer, and J.D. Morscheck

Absent: Candace Mumm and Brian Brill

Staff: Phill Tencick, Christine Shisler, and Tim Szambelan

Guests: Jayson Davidson, Joe Cavanaugh, Natalie Hilderbrand, Meghann Steinolfson, Eric Olson, Melanie Hall, Cassidy Haas, Chris Drohan, Duane Studer and John Bjork

SREC Employee Eligibility

Spokane Regional Emergency communications will be going live on July 1st, 2019. As a result, 10 SERS members have received layoff notices and offered positions at SREC, with two additional SERS members voluntarily moving to SREC. SERS has been petitioned by SREC, the City of Spokane, City Council, and the employees' bargaining units to allow these employees to maintain their membership in SERS when they move to SREC.

It is anticipated that allowing these employees to remain in SERS will have minimal financial and operational impact on the Plan. There will be some one-time and ongoing expenses as the Plan will move from a single-employer plan to a multiple employer plan. To prevent harm to current participants, SREC will pay those costs.

Jim Tieken moved and Dean Kiefer seconded the motion to allow employees who leave the City of Spokane and are involved in the transition to SREC to maintain membership in SERS. The option will be a one-time decision made at the time of hire by SREC. The motion passed unanimously. Staff will inform the relevant parties and work with SREC to make the necessary arrangements.

Jayson Davidson, Hyas Group, 2019 1st Quarter Investment Performance Report

Mr. Davidson reviewed with the Board the First Quarter 2019 Performance Report and discussed the conclusion of one of the best equity market quarters on record. With the rebound taking place during the last quarter, most of the Fund's traditional equity options have enjoyed a full recovery of what was lost at the end of 2018. Generally, the portfolio enjoyed a good quarter on a relative and absolute basis. The Capital Preservation category matched its benchmark, keeping pace with a strong performance on the LB Aggregate Bond benchmark. The Domestic Equities category also performed largely in

line with policy. Strong performance in the International, Long Biased and Real Estate categories was partially offset by relative weakness in Opportunistic Credit and Special Opportunities.

The following funds will remain on watch status: Jackson Square Large Cap Growth, Vanguard Mid Cap Growth, OrbiMed Partners, Hotchkis and Wiley Diversified Value, and Frontier Phocas Small Cap Value. The Vanguard option is also on watch for qualitative reasons associated with some fundamental changes to the underlying manager structure. The MFS Blended Research Core Equity Fund removed from the portfolio.

Hyas Group is recommending that the Board consider active alternatives to the Jackson Square Large Cap Growth Fund. Hyas will plan to present a Large Cap Growth manager search at the next quarterly investment meeting. At that time, the Board can again consider the option of moving more of the Large Cap allocation to passive management; or adjusting to combine the separate Growth and Value mandates into a single Blended option.

Mr. Davidson distributed comparative peer group information for the Fund's traditional manager's expenses. He noted that the majority of the options fall within the top half of the rankings and those that do not have actually been some of our better performing managers.

Mr. Davidson and the Board engaged in a lengthy discussion regarding the prospect of shifting the entire large cap allocation to lower cost passive management. The Board will evaluate this option during the large cap growth search. Mr. Davidson will work with the Board and Hyas' analytics group to prepare the necessary materials for further discussion.

Mr. Davidson will inquire as to whether or not peer scatter plot information is available for the defined benefit plan universe with the data scrubbed only to include managers that have readily available market values.

Hyas Group recommended placing the Post Limited Term High Yield on watch due to the announced departure of Henry Chyung, the acting Chief Investment Officer. Mr. Chyung's health has deteriorated and he can no longer work in his current capacity. He will be replaced by Jeff Stroll who has been working with Mr. Chyung for the past seven years. At this stage, Hyas plans to monitor to make sure, with Mr. Chyung's departure, the Fund does not take on an undue conservative bias.

Mike Cavanaugh moved and Jim Tieken seconded the motion to place the Post Limited Term High Yield Fund on watch for qualitative reasons. The motion passed unanimously.

Minutes of the April 24, 2019 Meeting

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the minutes of the April 24, 2019 meeting as presented. The motion passed unanimously.

Director's Report

Service Retirements

<i>Name</i>	<i>Age</i>	<i>Retirement Date</i>	<i>Years of Service</i>	<i>Option</i>
John H. Enquist	50	06/01/2019	22.1	E
Ernest R. Crocker	66	06/04/2019	15.3	E
Randall W. Kaiser	63	06/07/2019	25.8	ST
Robert A. Werner	56	06/14/2019	30.0	E
Karen R. Ripley	66	06/29/2019	20.6	E
Brian R. Zubaugh	50	07/10/2019	17.4	E
Ronald W. Rickard, Jr	65	07/13/2019	40.1	E

Jim Tieken moved and Mike Cavanaugh seconded the motion to approve the service retirements as presented on the May Retirement Transaction Report. The motion passed unanimously.

Withdrawals for May 2019

<i>Name</i>	<i>Years of Service</i>	<i>Termination Date</i>
Thomas A. Werts	4.8	05/03/2019

Dean Kiefer moved and Jim Tieken seconded the motion to approve the requests for withdrawal as presented on the May Retirement Transaction Report. The motion passed unanimously.

Vesting

<i>Name</i>	<i>Department</i>	<i>Years of Service</i>
David A. Como	Water	6.8

Deaths

<i>Name</i>	<i>Date Retired</i>	<i>Age</i>	<i>Date of Death</i>	<i>Information</i>
Rosella M. Espe	06/19/2002	92	04/29/2019	No Further Benefits
Ronald W. Silk	12/02/1989	79	05/02/2019	No Further Benefits
Patricia M. Deininger	06/02/2004	71	05/07/2019	No Further Benefits

Vesting and death information provided to the Board for review.

Expenditure Summary Report – April 2019

The Expenditure Summary Report was presented to the Board and discussed.

Mike Cavanaugh moved and Jim Tieken seconded the motion to approve the April 2019 Expenditure Summary Report. The motion passed unanimously.

Schedule of Investments – April 2019

The monthly investment report was presented to the Board for review. The estimated market value of the SERS portfolio on April 30, 2019 was \$307.4 million with an estimated rate of return of 2.1% for the month.

Monthly Cash Reconciliation

The monthly cash reconciliation report was presented to provide the Board with additional insight into the ongoing liquidity, transactions, and cash position of the plan.

There being no other business, the meeting adjourned at 1:53 p.m.

/s/

Phillip Tencick, Retirement Director